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TAGS: [ETTC](#) [EIND](#) [PARM](#) [PREL](#) [IT](#) [IR](#) [EXPORT](#) [CONTROLS](#)

SUBJECT: BRIEFING ITALY ON MILITARY/DUAL-USE PROCUREMENT  
EFFORTS BY STATE SPONSORS: FAST BOATS TO IRAN AT CENTER OF  
DISCUSSION

REF: ROME 776

Classified By: Economic Minister-Counselor Scott Kilner for Reasons 1.5  
(a)(b)(d) and 1.6 x6

SUMMARY

1. (S) INR Analyst Dr. Thomas Zarzecki, EUR/PRA officer Mark Cassayre, and Emboffs met with Italian officials March 30 to provide an intelligence briefing on military/dual-use procurement efforts in Europe by Iran and other state sponsors of terrorism. The briefing included information about the threat to Coalition forces in the Persian Gulf posed by such acquisitions and offered examples of how other European states have halted similar transfers to Iran. The goals of the briefing were to reiterate USG concerns, encourage greater GOI flexibility towards stricter controls over exports of concern, and highlight the potential impact of the example set by Italy on broader conventional arms non-proliferation efforts in Europe.

2. (S) The USG team met with policy makers from the MFA, MOD, Ministry of Productive Activities (MPA), and the Prime Minister's office -- all key players in the GOI's efforts to address the transfer of FB Design fast boats to Iran. Italian officials were grateful for the briefing and welcomed further dialogue with USG policy, intelligence, and defense trade control representatives. Our interlocutors confirmed that the GOI had halted the export of the last fast boat to Iran. They highlighted, however, the ongoing constraints of Italian law in halting the transfers of items not subject to multilateral sanctions or regimes, like the fast boats. Nevertheless, the GOI's interagency Consultative Committee on Dual-use Goods Exports was studying potential new legal mechanisms to block future transfers of such items. They also suggested that such exports be addressed in the Wassenaar Arrangement or other multilateral fora. End summary.

Facing a Tough Challenge With Open Minds...

3. (S) Interlocutors from the Prime Minister's office, MFA, and MPA welcomed the briefing and listened intently. They said the GOI took seriously the threat posed by certain articles going to military end-users in the state sponsors of terrorism, especially Iran. Paolo Dionisi, Assistant Diplomatic Advisor to Prime Minister Berlusconi, focused in particular on the U.S. information (released to the GOI for the first time in this briefing) that some of the fast boats were built with reinforced cockpits capable of mounting weapons. Dionisi said he would investigate whether the new information would affect the GOI's future approach to the issue. He said the GOI's initial evaluation of the export of FB Design fast boats to Iran did not raise any red flags, and the firm was a legitimate company seeking markets abroad for a superior product. Dionisi acknowledged the weakness of Italian law with regard to controlling such exports, though he said the GOI attempted to be as flexible as the law allowed, and was willing to halt exports that could hurt Italian companies if circumstances so warranted. Dionisi also mentioned the U.S.-Italian defense trade dialogue as a potential means of pressing Italian companies to cut off relations with countries of concern.

4. (S) In a separate briefing, MFA Non-proliferation Coordinator Carlo Tripepi was joined by MFA Office of Persian Gulf Affairs Director Luigi Maccotta, MPA Director of Dual-Use Export Licensing Aldo Doria, and MPA consultant/expert Giulio de Martino, as well as Ecmin and econoff. Tripepi also confirmed that the GOI had halted the final boat transfer. (Note - reftel provides details of the GOI's action to halt the final boat, which consisted of a formal letter signed by MPA Directors General Amedeo Teti and Massimo Goti that directed FB Design to halt the final boat

transfer. End note.) Maccotta noted that the Iranian government had already been pressuring the GOI to rescind its action and allow the final boat shipment to proceed; he pointed out that such pressure would not sway the GOI from

its decision to further halt such exports, notwithstanding the costs to be borne by FB Design.

15. (S) Tripepi said the GOI would continue to seek a permanent mechanism to control future exports of items that do not fall clearly under current Italian dual-use regulations. The interagency dual-use committee was already considering further measures to deal with such exports. Tripepi also suggested that such exports might warrant discussion within the Wassenaar Arrangement (he recalled Wassenaar Arrangement members becoming involved with a non-controlled export from Russia to Eritrea several years ago). Although the GOI realizes that a formal multilateral approach might have trouble gaining traction, added Tripepi, it was important that other countries' firms not be able to move into a market closed to Italian companies.

...And MOD Defends Past Actions

16. (S) At a briefing for MOD actors (also attended by Embassy assistant DATT), Italian Defense General Staff Director for Intelligence and Security Admiral Andrea Campregher and four staffers (Lucio Lepore, Massimo Poli, Ettore Chirico, and Luigi Mario di Cesare) focused on past MOD actions related to the FB Design exports. MOD officials did not dispute the threat posed by Iranian acquisition efforts, as outlined in the briefing. However, upon first mention of FB Design, Admiral Campregher announced that he had "authorized" the transfer of the company's fast boats to Iran. His staffer explained that when FB Design initially engaged with Iran on the potential boat sales, the GOI had reviewed the blueprints and determined that the boats had solely civilian applications and therefore did not require an export license. (Note: It was left unclear whether any agency or agencies outside MOD reviewed the plans; if the review constituted an official decision; or when such a review took place. End note.)

17. (S) Admiral Campregher appeared surprised upon hearing the information about the strengthened boat cockpits, and claimed that FB Design would have violated Italian law if this were true. He inquired as to the source of the information and requested "evidence" of such modifications that would allow the GOI to justify in a court of law (if necessary) its hold on the transfer. Campregher emphasized the importance of the U.S. sharing such information with the GOI much earlier so that Italian officials would be made aware of the potential military application of items that otherwise did not appear to require a license.

18. (S) Campregher stressed that GOI officials had no authority to impede a transfer or require a licensing determination if the item was not on a control list or if the end-user was not subject to multilateral sanctions. MOD officials also cited concerns about their personal liability for damages if a court decided the GOI had blocked a transfer without legal justification. The Wassenaar Arrangement, the EU, or another body, they said, should establish a multilateral standard by which Italy and all member states would have to abide.

19. (S) MOD further confirmed that the Italian firm Isotta Fraschini was providing new engines for Iran, s three Parvin class gunboats, as described in the briefing. As with the FB Design boats, the MOD said that the engines did not meet Wassenaar dual-use control standards, and that the GOI had therefore let the deal proceed. Regarding the briefing, s mention of the Italian firm Galileo Avionica, s supply of modern fire control systems for Syrian T-72 tanks, MOD noted that Rome had approved the sale of what were clearly military

vice dual-use items in the late 1990s.

Comment  
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10. (S) The GOI officials attending the briefings all noted the strict legalistic nature of the existing Italian export control process, which generally does not provide for the consideration of broader policy goals in the export license process. Finding a legal mechanism within that perspective may prove difficult for the GOI, hampering its ability to impede other transfers of concern in the future, except through less orthodox means as was recently done to stop the final boat export. However, the newly appointed Tripepi, who recently replaced long-time MFA Non-proliferation Coordinator Ugo de Mohr, appears to favor a more flexible approach to controlling the export of sensitive items going to countries of concern. His MPA counterpart Aldo Doria along with Doria's boss, DG Teti, have already demonstrated their commitment to seriously addressing our concerns. Although they may find challenges in Italian law and possible resistance from some ministries and industry, the willingness of these key GOI actors to seek creative solutions to dual-use transfer issues should help our efforts to convince

the GOI to more tightly control such transfers in the future.

11. (S) Despite examples in the briefing of other European countries' unilateral actions to stop similar sales, virtually everyone the U.S. team spoke with expressed concern that, absent a multilateral approach, any GOI effort to halt sales would result in Italian economic losses, while similar deals from firms in other countries would go forward. As we continue to persuade the GOI to strengthen its domestic export controls on fast boats or other items that straddle the dual-use/commercial divide, we may need to emphasize the difficulties inherent in a multilateral solution, which likely would require long and difficult negotiations. End comment.

12. (U) Zarzecki and Cassayre cleared this report.

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